



Treasury Inspector General for Tax Administration

INTERIM RESULTS OF THE 2007 FILING SEASON

Issued on April 17, 2007

Highlights

Highlights of Report Number: 2007-40-072 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The filing season is critical because it is during this time that most individuals file their income tax returns and contact the Internal Revenue Service (IRS) if they have questions about specific tax laws or filing procedures. The IRS estimates almost 136 million individual returns will be received. In this interim report, TIGTA did not identify any significant problems with the IRS' processing of individual income tax returns during the 2007 Filing Season through March 10, 2007. In general, the IRS had accurately processed the returns received and timely issued refunds.

WHY TIGTA DID THE AUDIT

This report presents selected information related to the IRS filing season results as of March 10, 2007. TIGTA has a number of ongoing audits related to the 2007 Filing Season. Individual audit reports will be issued at the completion of each audit.

WHAT TIGTA FOUND

The IRS faced three significant challenges this filing season: a one-time refund of the Telephone Excise Tax, implementation of the split refund option, and late passage of the law extending some tax deductions.

While the number of claims for the one-time refund has been lower than expected, some of the claims are obviously incorrect or potentially abusive. Through March 10, 2007, the IRS had received over 46,000 claims for amounts over \$500. Some of these excessive claims were so high in relation to the taxpayers' incomes that the taxpayers would have to have paid more than their total yearly incomes for long-distance or bundled telephone services to justify the claims.

Use of the split refund option is also falling below the IRS' expectations. TIGTA identified 2,696 taxpayers who attached a Direct Deposit of Refund to More Than One Account (Form 8888) to split refunds; this

represents only one-tenth of 1 percent of the direct deposits. The IRS had estimated 3.8 million Forms 8888 would be filed this year; however, it now estimates the actual number will be significantly lower.

Late passage of the law that extended some tax deductions also delayed the IRS' processing of tax returns. It does not appear that the delay has caused any problems, and there do not appear to be a significant number of errors related to these deductions.

Taxpayers have several options to choose from when they need assistance from the IRS, including telephone assistance through the toll-free telephone lines and face-to-face assistance at the IRS walk-in and volunteer sites. Taxpayers can also get self-assistance through the IRS public Internet site, IRS.gov.

The IRS expected to serve more taxpayers this filing season because of the Telephone Excise Tax Refund. However, fewer taxpayers were visiting the walk-in-sites or calling the toll-free telephone lines. The Level of Service (the primary measure of service to taxpayers provided on the IRS toll-free telephone lines) was 83 percent, compared to 84.2 percent for the same period last year.

More taxpayers are visiting volunteer sites for tax return preparation. In addition, the accuracy of income tax return preparation has improved. Our audit results showed an accuracy rate of 56 percent for the 18 tax returns prepared, compared to the 39 percent accuracy rate reported for last year.

Taxpayers are continuing to increase their use of IRS.gov to obtain tax related information. As of the week ending March 10, 2007, the IRS had reported a 9.1 percent increase in the number of visits to IRS.gov over the same period in the prior filing season. The IRS had also reported a 21.9 percent increase in taxpayers obtaining their refund information online via the "Where's My Refund" option found on IRS.gov.

WHAT TIGTA RECOMMENDED

This report is to provide interim information only; therefore, it includes no recommendations. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200740072fr.pdf>.

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